

NOTICE TO BORROWER:
THIS DOCUMENT CONTAINS PROVISIONS RESTRICTING ASSUMPTIONS

PROMISSORY NOTE

\$ _____ Loan No. _____
_____, California
_____ , _____

FOR VALUE RECEIVED, the undersigned ("Borrower") promise(s) to pay to _____
_____ (together with its successors in interest herein referred to as "Lender", or order, the principal sum of _____ Dollars (\$ _____), with interest on the unpaid principal balance from the date of this Promissory Note ("Note") until paid, at the rate of _____ percent (_____ %) per annum. Principal and interest shall be payable at the principal office of the holder hereof _____, or such other place as such holder may designate. Principal and interest shall be payable initially in consecutive monthly installments of _____ Dollars (\$ _____), on the _____ day of each month beginning _____. Such monthly installments shall continue until the entire indebtedness evidenced by this Note is fully paid, except that any remaining indebtedness, if not sooner paid, shall be due and payable on _____, 20 _____.

This Note evidences funds loaned to Borrower to finance the acquisition of certain real property and improvements thereon ("Property") described in that Deed of Trust securing this indebtedness, dated of even date herewith ("Deed of Trust").

Borrower understands that the interest rate on this Note is a below market interest rate because Lender intends to transfer the loan evidenced by this Note to the California Housing Finance Agency, a public instrumentality and political subdivision of the State of California ("Agency"). The Agency will finance the acquisition of said loan and this Note with funds from the sale of tax exempt municipal securities. Therefore, upon transfer of this Note to the Agency, this Note, the indebtedness evidenced hereby, and the Property will become subject to the applicable Internal Revenue Code Sections ("Tax Code").

Borrower further understands that the Agency and the Tax Code require that borrowers of funds originated by the sale of said tax exempt municipal securities, and the property securing said loans, meet certain specific criteria. Borrower acknowledges that Lender has explained the requirements of the Tax Code and the requirements of the Agency, and that Borrower has made certain representations regarding Borrower's, and the Property's, compliance therewith. (See paragraph number 21 requirements which are also applicable to Borrower). Borrower covenants that said representations were and are true and correct. UPON DISCOVERY BY LENDER OR THE AGENCY OF ANY MISSTATEMENT MADE BY BORROWER PURSUANT TO SAID REPRESENTATIONS, BORROWER MAY BE SUBJECT TO THE FOLLOWING ACTIONS:

- (A) Acceleration of the indebtedness and the exercise of the power of sale as stated in paragraph 22 of the Deed of Trust; or
- (B) Upon the sale or other disposition of this Note by the Agency, the interest on the unpaid principal balance may be adjusted to the then current market rate permitted by law. Such interest rate adjustment will be effective immediately upon the sale or disposition of this Note by the Agency.

Borrower shall pay to the Note holder a late charge of five percent (5%) of any monthly installment not received by the Note holder within fifteen (15) days after the installment is due.

If any monthly installment under this Note is not paid when due and remains unpaid after a date specified by a notice to Borrower, the entire principal amount outstanding and accrued interest thereon will at once become due and payable at the option of the Note holder. The date specified will be not less than thirty (30) days from the date such notice is mailed. The Note holder may exercise this option to accelerate during any default by Borrower regardless of any prior forbearance. If suit is brought to collect this Note, the Note holder shall be entitled to collect all reasonable costs and expenses of suit, including, but not limited to, reasonable attorney's fees.

Borrower may prepay, without penalty, the principal amount of this Note outstanding in whole or in part. Any partial prepayment will be applied first against accumulated interest and then against the principal amount outstanding. No prepayment will postpone the due date of any subsequent monthly installment or change the amount of such installment, unless the Note holder otherwise agrees in writing.

Presentment, notice of dishonor, and protest are hereby waived by all makers, sureties, guarantors and endorsers hereof. This Note is the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their successors and assigns.

Any notice to Borrower provided for in this Note will be given by mailing such notice by certified mail addressed to Borrower at the Property Address stated below, or at such other address as Borrower may designate by notice to Note holder. Any notice to the Note holder will be given by mailing such notice by certified mail, return receipt requested, to the Note holder at the address stated in the first paragraph of this Note, or at such other address as may have been designated by notice to Borrower.

Incorporation by reference is made of the provisions of the Deed of Trust regarding rights as to acceleration of the indebtedness evidenced by this Note, including but not limited to the right of acceleration upon prohibited transfer of said Property, set forth and defined in Section 21 of said Deed of Trust which provides as follows:

21. *Transfer of Property; Assumptions* THE PROPERTY WILL NOT BE TRANSFERABLE WITHOUT THE WRITTEN APPROVAL OF THE AGENCY.

“Transfer” means any sale, assignment or transfer, voluntary or involuntary, or by operation of Law, of any interest in the Property, including but not limited to a fee simple interest, a joint tenancy interest, a life estate, leasehold interest, or an interest evidenced by a land contract by which possession of the Property is transferred and Borrower retains title, whether or not any such transfer is made subject to this Deed of Trust. Any such transfer without the Agency’s written approval shall be a “Prohibited Transfer”.

The Agency’s approval will not be given unless Borrower’s successor(s) in interest (“Purchaser”) meets all of the following conditions:

- (a) Purchaser occupies the residence at the Property address as Purchaser’s principal place of residence within sixty (60) days after the date of transfer and continues to so occupy the Property until the Note is paid in full or Purchaser properly transfers to a successor in interest meeting all of the requirements of the Tax Code, and the Agency;
- (b) Purchaser has not had an ownership interest in a principal residence at any time during the three years preceding the date of transfer unless at the time of transfer the Agency gives written approval that the Property is in a "Targeted Area" or this Deed of Trust indicates that Property was in a "Targeted Area" at the time of recording this Deed of Trust;
- (c) Purchaser has a household income within the income limits as established at the time of transfer;
- (d) Purchaser has purchased the Property at a purchase price within the price limits established;
- (e) Purchaser’s indebtedness is eligible for mortgage guaranty insurance covering a loss of up to fifty percent (50%) of the outstanding principal amount of the Note, issued by an insurer licensed to do business in the State of California, and approved by the Agency;
- (f) Purchaser meets all other conditions applicable to the Agency’s financing in effect at the time of transfer including, but not limited to, the Agency’s loan underwriting standards; and
- (g) Purchaser meets the conditions of the Tax Code and regulations thereunder, both as amended from time to time.
- (h) Purchaser meets the conditions of the Agency’s citizenship and alien verification regulations as set forth in Title 25 of the California Code of Regulations, Division Z, Chapter 3 (Sections 12001, *et seq.*) which implement federal legislation known as Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Pub. L. No. 104-193, 8 U.S.C. Section 1601, *et seq.*).

If written approval of the Agency is not given for any transfer of the Property, the transfer will be a Prohibited Transfer and Lender may, at Lender’s option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender will exercise this option by noticing Borrower of Lender’s decision pursuant to paragraph 17 above. The notice must provide a period of not less than thirty (30) days from the date the notice is mailed within which Borrower may pay the amounts due or cure the Prohibited Transfer by transferring to a Purchaser meeting the above stated conditions. If Borrower fails to cure the Prohibited Transfer or pay the amounts due within said period Lender may then invoke any remedies permitted by this Deed of Trust or California law, including, but not limited to, the exercise of the power of sale as described in this Deed of Trust.”

Borrower _____	Borrower _____
Borrower _____	Borrower _____

